

This letter answers a number of questions regarding reporting Manufacturers' Purchase Credit accepted by retailers. See, 86 Ill. Admin. Code 130.331. (This is a GIL.)

February 8, 1999

Dear Ms. Xxxxx:

This letter is in response to your letter dated December 23, 1998. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

According to your December 8, 1998 letter regarding the Manufacturer's Purchase Credit, retailers can file a sales tax refund on items qualifying for the Manufacturer's Purchase Credit. The letter states that '[i]f retailers and servicemen choose to accept...and refund the tax paid by those purchasers, those transactions should be reported on the Form ST-1 for the period in which the refund occurred....'

The law is clear on the statute and the procedure for filing the Manufacturer's Purchase Credit Earned (ST-16 & ST-16-X) and Used (ST-17 & ST-17X) reports. However, there appears to be confusion with statute and procedure for reporting the Manufacturer's Purchase Credit on the Sales and Use Tax Returns (ST-1 & ST-1-X). Please clarify the following issues:

1. Should the **Retailer** credit a current Sales and Use Tax Return (Form ST-1) or file an Amended Sales and Use Tax Return (ST-1-X) for each period involved?

Retailers who choose to accept Manufacturer's Purchase Credit Certificates (ST-16-Cs) from purchasers after qualifying purchases of production related tangible personal property have occurred and who refund the tax paid by those purchasers should report those transactions on the Form ST-1 for the period in which the refund occurred. Retailers should not file amended returns/claims for credit (ST-1-Xs) to report such transactions.

2. Should the **Purchaser** credit a current Sales and Use Tax Return (Form ST-1) or file an Amended Sales and Use Tax Return (ST-1-X) for each period involved?

I am answering your question under the premise that you are referring to purchasers who self-assess their Use Tax or Service Use Tax liability directly to

the Department. Such self-assessing purchasers who wish to use their Manufacturer's Purchase Credit (MPC) on a prior qualifying purchase of production related tangible personal property, should file amended returns/claims for credit (ST-1-Xs) for the periods in which the purchases took place. Please note that such a purchaser must also properly report such change on the appropriate ST-17 or ST-17-X. By filing amended returns (instead of current ST-1s like retailers) the purchaser's reported use of MPC on its ST-1s and ST-1-Xs will match the amounts of MPC reported as used on those purchaser's ST-17s and ST-17-Xs for the same periods.

Please note that MPC cannot be used before it is earned. For example, taxpayers cannot use MPC that was earned in January, 1999 to satisfy a Use Tax or Service Use Tax liability on a purchase of production related tangible personal property that occurred in 1998. See the enclosed copy of 86 Ill. Adm. Code 130.331.

3. If the **Retailer** is requesting a refund for Sales Tax **AND** Manufacturer's Purchase Credit, should they credit a current return for the Manufacturer's Purchase Credit and amend the returns for the sales tax? Or should they file an amended return or credit a current return for both the Manufacturer's Purchase Credit **AND** the sales tax?

Retailers who are seeking refunds or credits of Retailers' Occupation Tax that were paid in a prior period that consists of refunds based on MPC, as described above, should always report such refunds in the period in which those refunds occurred on their Form ST-1s. If other refunds occurred that are not MPC related, these should be reported on amended returns (ST-1-Xs). In other words, refunds that are based on MPC as described above should not be reported on Form ST-1-Xs even if the retailers have other non-MPC based refunds.

4. The deadline for filing a credit for an overpayment of Sales and Use Tax is for the current year and the previous 36 months. As long as the invoices are reported and filed by the appropriate deadlines on the Manufacturer's Purchase Credit Earned (ST-16 & ST-16-X) and Used (ST-17 & ST-17-X) forms, does the **Retailer/Purchaser** have three years to file these invoices on their Sales and Use Tax Returns?

The statute of limitations for filing claims for credit is described in the enclosed copy of 86 Ill. Adm. Code Section 130.1501(a)(4). The language is somewhat confusing but, boiled down, it means that the statute of limitations is 3 to 3-1/2 years and expires in 6-month blocks. For example, on July 1, 1994, the statute of limitations expired for claims to recover taxes that were erroneously paid in the first 6 months of 1991.

As stated above, retailers who choose to accept Manufacturer's Purchase Credit Certificates from purchasers after qualifying purchases of production related tangible personal property have occurred and who refund the tax paid by those purchasers should report those transactions on the Form ST-1 for the period in which the refund occurred. Retailers should not file amended returns/claims for credit (Form ST-1-Xs) to report such transactions. Therefore, the

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limitations on filing claims for credit that is described above is not applicable in those situations involving MPC.

However, self-assessing purchasers that should be filing amended returns/claims for credit (Form ST-1-Xs) do have to contend with the limitations period for claims for credit that is described above. The purchasers' ST-16s or ST-16-Xs and ST-17s or ST-17-Xs must also be filed by the appropriate deadlines showing such changes. Please note that, if no original report (ST-16 or ST-17) was filed on time, no corresponding amended report (ST-16 or ST-17 respectively) can be filed for that period.

I hope this information is helpful. The Department of Revenue maintains an Internet Web site which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Terry D. Charlton  
Associate Counsel

TDC:msk  
Encl.